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SUBJECT: SCENESETTER FOR YOUR VISIT TO TOKYO

Classified By: Ambassador J. Thomas Schieffer, Reasons 1.4 B/D

11. (S) Begin Text.

Madam Secretary,

You arrive in Japan at a sensitive time in our relationship. Less than three weeks ago, a 38-year-old Marine confessed to raping a 14-year-old girl. I flew to Okinawa with the Commander of U.S. Forces Japan to express our own outrage and sympathy for the child. Subsequent incidents involving alcohol and another possible sexual assault exacerbated the situation. While the media frenzy that threatened to overwhelm us has largely subsided, the Japanese will expect you to offer sympathy and pledge every effort to see that the incidents are not repeated. Prime Minister Fukuda has publicly promised to raise the issue with you so we recommend that you bring it up first.

Despite the public outrage over the incident, Japan will still want to hear that America is committed to staying in Asia and maintaining the U.S.-Japan alliance. They will also want to hear your views on the current state of the Six-Party Talks. Japan understands that the primary purpose of the talks is the denuclearization of the Korean peninsula but they remain sensitive to the abduction issue.

Fukuda still worries that North Korea will be de-listed without any progress on the abduction issue but there is no doubt that his fears were allayed by his meeting with the President in November. He will work hard to manage public opinion on this issue.

Prime Minister Fukuda has already moved to improve relations with China, the ROK and the ASEAN countries. He has extensive contacts in all three places and will welcome a discussion with you about each.

The Japanese want to be good hosts to the G-8 this summer in Hokkaido. They want to emphasize climate change, environmental issues, and Africa in coordination with the U.S. Expect a good many inquiries on what you think would constitute a good G-8 result. They will also want to know more about U.S. economic intentions with regard to Free-Trade agreements in the neighborhood. The Japanese need to be reminded that beef is still a very important issue to us and that recognition of Kosovo would be welcomed by us.

Against the backdrop of these issues, it is important to understand that Japan has changed in fundamental ways over the last six years. Prime Minister Koizumi and Prime Minister Abe made hard political decisions and took steps once considered impossible. The SDF deployment to Iraq, Japan's refueling operation in the Indian Ocean, acceptance

of a nuclear-powered carrier to replace the Kitty Hawk, the alliance transformation process, and enhanced intelligence sharing were without precedent and are the first steps in creating a new, more robust Japanese national security policy. Japanese public opinion has also changed. The once powerful, anti-American left no longer exists. While pacifism remains deeply ingrained in Japan, there is a new consensus among the public and elites both -- due in part to the DPRK threat and the PRC's growing power projection capabilities -- that the U.S.-Japan alliance is vital to Japan's national security.

The ruling Liberal Democratic Party's dramatic defeat in the July 2007 Upper House election created a divided Diet for the first time in over fifty years. Absent a grand compromise by the LDP and the opposition Democrats or a realignment of political parties, the prospect for the next several years is for go-slow politics at best, or political gridlock at worst. Abe's ambitious agenda, including constitutional revision and redefining "collective self-defense" to loosen the restraints on Japan's armed forces, are on hold for the foreseeable future.

Japan's political turbulence is also having a negative impact on some of our important security priorities. The lack of political leadership has left a policy vacuum that is being filled by narrowly focused bureaucrats. While Tokyo committed under Prime Minister Koizumi to expanding the SDF's capabilities and roles, it continues to shortchange its military, delay acquisition of critical weapons systems, and pressure us to pay more in terms of operations and reduced host nation support. The Fukuda administration has also been less aggressive in implementing base realignment than its predecessors.

You should not, however, be overly pessimistic. Over the short term, we will have difficulty pressing any new initiatives but we can still make solid progress on items already teed up. Force transformation, the associated move of Marines to Guam, and relocation of Futenma are moving in the right direction, albeit with some bumps in the road. Intelligence sharing is an ongoing success story, as is BMD cooperation and preparations for the forward deployment of the USS George Washington, a nuclear powered aircraft carrier to Japan.

Your visit is ideally timed to underline the importance the United States attaches to our relationship with Japan. Prime Minister Fukuda, while more cautious than either Abe or Koizumi, is a solid supporter of the alliance. Battered by a dropping stock market, government scandals, and the perception he lacks leadership and vision, Fukuda's poll numbers have dropped dramatically since his election. In the last few weeks, for the first time, more oppose his cabinet than support it. Fukuda's short-term goal appears to be avoiding a political showdown in the Diet that would force a Lower House election before this summer's G-8 summit. The opposition, as it did during the debates on Indian Ocean refueling, is sparing no effort to trip the government up. Fukuda, a shrewd politician no one should underestimate, is playing a fairly weak hand well. Your visit offers Fukuda a chance to showcase his ability to manage the U.S.-Japan relationship, which should give him a bump in the polls.

A quick reference list of issues follows. Embassy Tokyo looks forward to seeing you this coming week.

The Okinawa Rape Case: The ugly incident in Okinawa is truly regrettable, and our sympathy goes out to the young girl and her family. The U.S. government is committed to doing all it can to avoid future incidents.

Six-Party Talks: Disablement activities are proceeding, but the DPRK has yet to provide a complete and correct declaration of its nuclear programs. U.S. action on the DPRK's designation as a state sponsor of terrorism will depend on progress on denuclearization and fulfillment of legal criteria. We will continue to press the DPRK to address Japanese abductees and will work closely with Japan

on this issue. We are preparing a late February/early March heavy fuel oil shipment to the DPRK and hope Japan will soon be able to fulfill its energy assistance commitments.

U.S.-Japan Alliance: Our Alliance is the cornerstone of U.S. policy in Northeast Asia, and essential for preserving peace and stability throughout the region. Force transformation spelled out in the Defense Policy Review Initiative (DPRI) is mutually beneficial and will strengthen Alliance capabilities. We are now entering the first phase of Okinawa consolidation and look forward to expeditious implementation of the agreed-to plan. We are not prepared to discuss changes.

Japan's G-8 Priorities: Japan's priorities for its 2008 G-8 Presidency include climate change and African development. Japan wants the Leaders' Statement to focus on nonproliferation, countering terrorism and international organized crime, and peace building

Beef: Japan remains closed to U.S. beef and beef products from animals older than 21 months of age. Once our largest export market for beef, Japan now receives less than 25 percent of pre-2004 export levels. In a December letter to President Bush, PM Fukuda proposed raising age restrictions to include animals up to 30 months of age, a move he suggested would allow over 90 percent of U.S. beef exports. We strongly oppose this approach and have indicated that we would not cooperate in its implementation. The President has not answered Fukuda's letter.

Climate Change: Japan has been active in the Major Economies process, and will host the informal meeting and clean technology workshop in March. We are not opposed to specific targets, nor do we categorically oppose cap and trade as a policy tool, but we believe in a flexible global framework.

Information Sharing and Security: The Bilateral Information Security Task Force (BISTF) process is at an important stage. Broadening participation on the Japanese side is a critical step toward realizing government-wide measures for protecting classified information. Improved security will allow both sides to develop a deeper, more robust information sharing regime, further strengthening the alliance. We urge Japan to pass an official secrets act.

Child Pornography: Unlike all G-8 member countries except for Russia, the current legal framework in Japan does not criminalize the possession of child pornography unless there is intent to distribute. This legal loophole prevents Japanese police from cooperating in international investigations and feeds global demand for these images, which often depict the violent sexual assault of small children.

Multilateral Security Cooperation: The United States remains committed to its close cooperation with Japan and Australia. We look forward to a constructive dialogue at the April 18 Trilateral Security and Defense Cooperation Forum. We also support Japan's outreach to NATO and like-minded countries on security initiatives.

Burma: Japan has scaled back its aid to Burma, but has not imposed economic sanctions, although it discourages companies from investing in Burma. Japan could do more, but fears driving Burma closer to China.

China: Prime Minister Fukuda has worked hard to improve relations with China. Both sides claim Fukuda's December 27-30 visit to China rebuilt political trust and improved bilateral relations. President Hu is expected to visit Tokyo in April, the first Chinese Presidential visit since 1998.

Korea: Prime Minister Fukuda will attend President Lee's inauguration. President Lee has expressed a desire to build a Japan-ROK relationship that is "different from the relationship up until now." Bilateral contacts between Japan

and the ROK following the December 19 South Korean election support the optimism. The United States is interested in strengthening trilateral relations; we are still considering appropriate modalities.

Iraq: With \$1.5 billion in grants, up to \$3.5 billion in concessionary loans, and \$6 billion in debt relief, Japan is the second-largest contributor to Iraqi reconstruction. On January 25, Japan and Iraq concluded disbursement agreements for eight reconstruction projects worth \$1.5 billion. This agreement signifies Japan's strong support for Iraqi reconstruction. Japan's Air Self-Defense Forces have deployed 200 personnel and three C-130 aircraft in Kuwait to transport cargo and personnel in Iraq.

Afghanistan: In January, Japan passed legislation to restart refueling operation in support of Operation Enduring Freedom. Japan is working more closely with the PRTs and has assigned a full-time liaison officer to NATO's office in Kabul. Japan is the third highest bilateral contributor (behind the U.S. and UK) to Afghanistan, with \$1.4 billion pledged since 2002. Japan's most visible endeavor in Afghanistan is the construction of a 114 kilometer stretch of the southern ring road. This project, originally scheduled for completion in 2005, has been beset by delays stemming from Japan's security concerns. We have recently been asking the Japanese to consider providing airlift helicopters to support operations in Afghanistan.

Israel Palestine Peace: Japan is moving forward with its "Corridor for Peace and Prosperity" initiative that will establish an agro-industrial park in the Jordan Valley, and pledged \$150 million in project assistance at the December Paris donors' conference. Last August, Japan resumed direct assistance to the PA, contributing \$20 million. Prime Minister Olmert visits Tokyo February 25-28, during your visit. The Japanese hope President Abbas will be able to visit in March or April.

Iran: Japan is implementing UNSCRs 1737 and 1747, and supports a third UNSC resolution. Japan is among Iran's top export markets (mostly oil) and is Iran's 10th largest supplier of machinery and manufactured goods. Most Japan-Iran trade is covered by short-term credits. Still, since April 2006, the Japan Bank for International Cooperation (JBIC) has ceased issuing Iran new long-term export credits and Japan has promised to begin closing outstanding long-term credits.

Pakistan: Japan is providing education assistance and has said it will consider additional aid once the security situation improves.

Russia: Russia has been increasingly critical of U.S.-Japan BMD cooperation, characterizing it as part of our efforts at global containment. The recent overflight incident involving a Russian bomber demonstrates Russia's unhelpful attitude toward the alliance and regional security. U.S.-Japan BMD cooperation is a success story, and we want to maintain forward progress and momentum.

Africa: We urge Japan to ensure that the Government of Zimbabwe's blatant violation of its human rights obligations and massive corruption is thoroughly discussed as an impediment to African development at the fourth Tokyo International Conference on Africa and Development in May.

Kosovo: MOFA officials have told us they have the political will to recognize Kosovo and are moving in that direction, but that it will take time to complete the "required procedures" before they can make a final and public decision.

Our sense is that they are hesitant to offend the Russians, and are delaying for that reason, although they will ultimately recognize. You may wish to encourage them to get off the fence and recognize Kosovo now.

End Text.
SCHIEFFER